GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:255
ANSWERED ON:01.03.2002
FRAUDS IN FIS
RADHA MOHAN SINGH;RATTAN LAL KATARIA

Will the Minister of FINANCE be pleased to state:

(a) the number of cases of corruption, embezzlement and misappropriation of funds in various non-banking financial institutions have come to light in the last three years;

(b) whether the Government propose to accord approval to the proposal of conducting inquiry and granting punishment in fraud and corruption cases of banks and financial institutions by CVC; and

(c) if so, the details thereof and the other steps taken by the Government to check fraud cases in banks and Financial Institutions?

Answer

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI BALASAHEB VIKHE PATIL)

(a) :- Reserve Bank of India (RBI) have reported that M/s Tulunadu Finance andDevelopment Ltd., Bangalore and M/s Tata Finance Ltd., Mumbai have reported to RBI cases of alleged misappropriation of funds.

(b) & (c) :- The jurisdiction of the Central Vigilance Commission (CVC) extends to all matters to which the executive powers of the Union extends and to all Central Public undertakings including Public Sector Banks and Financial Institutions (FIs). Whenever a fraud is detected by a Public Sector Bank a preliminary inquiry is made. The decision is taken whether to conduct a thorough investigation departmentally or to hand over the case to the local police or Central Bureau of Investigation (CBI). On the basis of the inquiry report received after internal inquiry or from the police/CBI, banks/FIs take aregular departmental action wherever necessary and award punishment to the officials who are found responsible for the fraud. On the basis of the recommendations as a result of investigation carried out by banks/FIs or CBI the Commission tenders appropriate advice to the bank concerned.

Banks are implementing comprehensive guidelines issued by Reserve Bank ofIndia regarding prevention of frauds which inter-alia include strengthening of internal control mechanisms, review of frauds cases on continual basis, undertaking concurrent audit covering branches accounting for 50 per cent of bank`s business, scrutiny of cash deposits and withdrawals of Rs. 10 lakhs and above, improving housekeeping and imparting training to operational personnel.